

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 EA-06 ISO-00 NIC-01 COME-00 TRSE-00

OMB-01 CIEP-01 SAJ-01 SAM-01 CIAE-00 DODE-00 PM-03

H-01 INR-07 L-02 NSAE-00 NSC-05 PA-01 PRS-01 SP-02

SS-15 USIA-06 /074 W

----- 033615

R 251003Z FEB 75

FM AMEMBASSY HELSINKI

TO SECSTATE WASHDC 8327

AMEMBASSY STOCKHOLM

INFO AMEMBASSY OSLO

AMEMBASSY SEOUL

AMEMBASSY TOKYO

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E.O. 11652: N/A

TAGS: EEW, EFIN, KN, SW, FI

SUBJECT: NORTH KOREAN DEBT TO FINLAND

REF: STOCKHOLM A-44, FEB. 11, 1975.

1. SUMMARY: NORTH KOREA HAS PAID ONLY THE 20 PERCENT DOWN PAYMENT ON FMK 150 MILLION WOODPROCESSING EQUIPMENT ORDER DELIVERED LAST YEAR. HIGH OFFICIAL IN ONE OF MAJOR FINNISH COMPANIES SUPPLYING GOODS COMMENTED TO EMBOFFS THAT FINNS EXPECT TO GET SOME FURTHER PAYMENT EVENTUALLY. HE EXPRESSED SOME IRRITATION THAT MATTER HAD BEEN AIRED IN PRESS WHICH WOULD MAKE FURTHER NEGOTIATIONS MORE DIFFICULT. END SUMMARY

2. SOURCE IN MINISTRY FOR FOREIGN AFFAIRS INDICATED PROBLEM LIES IN NORTH KOREANS' CHRONIC SHORTAGE OF HARD CURRENCY (PAYMENT CURRENCY IN BRITISH POUNDS), NOTED THAT "COMECON FINANCIAL OFFICIAL" TOLD FINNS

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THAT NORTH KOREANS ARE ALWAYS LATE IN PAYMENTS,

AND SAID THAT THE ISSUE OF DAMAGE TO GOODS DID NOT WORRY FINNS. IN 1973, FINNISH EXPORTS TO NK WERE US\$60,000 AND IMPORTS US\$474,000. (CURRENT EXCHANGE RATE US\$ EQUALS FMK 3.467, SO ORDER IS WORTH ABOUT US\$43 MILLION TODAY.)

3. ABOUT TEN FINNISH COMPANIES ARE INVOLVED, INCLUDING SOME OF FINLAND'S LARGEST SUCH AS RAUMA-REPOLA, H. AHLSTROM, TAMPELLA, ENZO-GUTZEIT, UNITED PAPER MILLS, AND STROMBERG. THEY OPERATED THROUGH THE FINNISH METAL INDUSTRY EXPORT ASSOCIATION, METEX, WHICH HAD ROUTINELY ACQUIRED A STATE QUARANTEE UNDER EXPORT GUARANTEE SYSTEM, SO MAJOR RISK TAKER IS EXPORT GUARANTEE BOARD, A STATE-FUNDED AGENCY. AT PRESENT TIME, THIS "BREAK-THROUGH" LARGE SALE TO NORTH KOREA, CONCLUDED IN 1972, LOOKS LIKE BAD DEAL (IN VIEW OF BRITISH POUND'S DECLINE AGAINST MOST MAJOR CURRENCIES) EVEN IF NORTH KOREA FINALLY PAYS FULL PURCHASE PRICE FOR GOODS.

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